



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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December 31, 2024

Charter School Board
Higher Institute of Arts and Technology, Inc.
Lake County, Indiana

We have reviewed the audit report of the Higher Institute of Arts and Technology, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of the Higher Institute of Arts and Technology, Inc., as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 22.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for the Higher Institute of Arts and Technology, Inc., was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

Higher Institute of Arts and Technology, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Higher Institute of Arts and Technology, Inc.
Merrillville, Indiana

Opinion

We audited the financial statements of Higher Institute of Arts and Technology, Inc. (the School), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and change in net deficit, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the changes in its net deficit, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters we identified during the audits.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent loop on the 'D'.

Donovan CPAs
Indianapolis, Indiana
November 6, 2024

Higher Institute of Arts and Technology, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 356,725	\$ 385,205
Grants receivable	122,709	300,326
Prepaid expenses	20,000	20,608
Total current assets	499,434	706,139
Fixed Assets		
Land	80,000	80,000
Building and improvements	328,000	328,000
Furniture and equipment	124,104	119,168
Textbooks	67,461	67,461
Less: accumulated depreciation	(173,460)	(149,260)
Fixed assets, net	426,105	445,369
Other Assets		
Operating lease right-of-use asset	41,692	55,169
Total Assets	\$ 967,231	\$ 1,206,677
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Current portion of notes payable	\$ 187,139	\$ 182,898
Current portion of lease obligations	13,886	13,477
Accounts payable and accrued expenses	278,095	414,811
Refundable advances	168,587	-
Total current liabilities	647,707	611,186
Long-Term Liabilities		
Notes payable, net of current portion	396,411	583,552
Lease obligations, net of current portion	27,807	41,693
Total long-term liabilities	424,218	625,245
Total Liabilities	1,071,925	1,236,431
Net Deficit, Without Donor Restrictions	(104,694)	(29,754)
Total Liabilities and Net Deficit	\$ 967,231	\$ 1,206,677

See independent auditor's report and notes to the financial statements

Higher Institute of Arts and Technology, Inc.
Statements of Activities and Change in Net Deficit
For the Years Ended June 30, 2024 and 2023

	2024	2023
Revenue and Support		
State education support	\$ 2,022,603	\$ 1,732,556
Grant revenue	1,648,054	1,665,534
Other income	5,872	4,297
Total revenue and support	3,676,529	3,402,387
Expenses		
Program services	3,018,398	2,867,344
Management and general	733,071	697,728
Total expenses	3,751,469	3,565,072
Change in Net Deficit	(74,940)	(162,685)
Net Assets (Deficit), Beginning of Year	(29,754)	132,931
Net Deficit, End of Year	\$ (104,694)	\$ (29,754)

See independent auditor's report and notes to the financial statements

Higher Institute of Arts and Technology, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 1,220,951	\$ 221,874	\$ 1,442,825	\$ 1,192,147	\$ 198,151	\$ 1,390,298
Professional services	382,957	54,561	437,518	383,885	36,525	420,410
Management and academic services	-	308,352	308,352	-	373,133	373,133
Food costs	307,794	-	307,794	296,448	-	296,448
Classroom, kitchen, and office supplies	288,718	8,626	297,344	221,771	11,864	233,635
Occupancy	261,473	-	261,473	262,023	-	262,023
Employee benefits	228,453	29,533	257,986	200,626	33,458	234,084
Student transportation	212,715	-	212,715	173,485	-	173,485
Insurance	39,028	-	39,028	25,657	-	25,657
Depreciation	24,200	-	24,200	21,487	-	21,487
Information technology	22,218	-	22,218	44,598	-	44,598
Interest	4,250	13,940	18,190	5,500	6,800	12,300
Authorizer oversight fee	-	13,446	13,446	-	12,846	12,846
Travel	11,625	1,677	13,302	12,167	111	12,278
Equipment	4,546	-	4,546	-	-	-
Staff development	2,275	-	2,275	21,583	-	21,583
Other	7,195	81,062	88,257	5,967	24,840	30,807
Total functional expenses	<u>\$ 3,018,398</u>	<u>\$ 733,071</u>	<u>\$ 3,751,469</u>	<u>\$ 2,867,344</u>	<u>\$ 697,728</u>	<u>\$ 3,565,072</u>

See independent auditor's report and notes to the financial statements

Higher Institute of Arts and Technology, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net deficit	\$ (74,940)	\$ (162,685)
Adjustments to reconcile change in net deficit to net change in cash from operating activities:		
Depreciation	24,200	21,487
Loss on disposal of fixed assets	-	5,000
Change in certain assets and liabilities:		
Grants receivable	177,617	(79,348)
Prepaid expenses	608	69,645
Accounts payable and accrued expenses	(136,716)	185,723
Refundable advances	168,587	-
Net change in cash from operating activities	<u>159,356</u>	<u>39,822</u>
Investing Activities		
Purchases of fixed assets	(4,936)	(96,232)
Financing Activities		
Principal payments on notes payable	<u>(182,900)</u>	<u>(133,550)</u>
Net Change in Cash	(28,480)	(189,960)
Cash, Beginning of Year	<u>385,205</u>	<u>575,165</u>
Cash, End of Year	<u><u>\$ 356,725</u></u>	<u><u>\$ 385,205</u></u>
Supplemental Information		
Cash paid for interest	\$ 18,190	\$ 12,300
Purchase of land, building, and improvements financed through note payable	-	350,000

See independent auditor's report and notes to the financial statements

Higher Institute of Arts and Technology, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

General

Higher Institute of Arts and Technology, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board (ICSB). The School served approximately 220 students in grades kindergarten through eighth during both the 2023-2024 and the 2022-2023 school years.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net deficit:

- net deficit without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net deficit with donor restrictions, which represent resources restricted by donors for specific time and purpose.

As of June 30, 2024 and 2023, the School had only a net deficit without donor restrictions.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2024 and 2023.

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326: Measurement of Credit Losses on Financial Instruments)* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standards update did not have a material impact on the School's financial position or the result of its operations and cash flows.

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for credit losses is deemed necessary.

Higher Institute of Arts and Technology, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Fixed Assets

Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	30 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

Taxes on Income

The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through November 6, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Note 3 – Revenue Recognition

Revenue Recognition Policy

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

Higher Institute of Arts and Technology, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition (Continued)

Disaggregation of Revenue

Revenue is disaggregated on the statements of activities and change in net deficit.

Note 4 – Refundable Advances

The School was awarded a Charter School Facility Grant to provide for facility costs. The School was also awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The refundable grant advance totaled \$168,587 as of June 30, 2024. The School intends to expend the entire balance during the year ending June 30, 2025.

Note 5 – Notes Payable

Notes payable consisted of the following as of June 30:

	2024	2023
Note payable to Indiana State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, maturing in July 2027	\$ 350,000	\$ 450,000
 Note payable to Roman Catholic Diocese of Gary, Indiana, payable \$8,070 monthly plus interest at 5.00% per annum, maturing in January 2027	 233,550	 316,450
	583,550	766,450
Less: current portion	(187,139)	(182,898)
 Long-term portion	 \$ 396,411	 \$ 583,552

Principal maturities of the notes payable are as follows for the years ending June 30:

2025	\$ 187,139
2026	191,597
2027	154,814
2028	50,000
	\$ 583,550

Higher Institute of Arts and Technology, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 6 – Leases

Operating Lease

The School leases office equipment under the terms of an operating lease. The lease took effect in March 2022 and ends February 2027. The lease requires monthly payments of \$1,242. Using an imputed interest rate of 3.00%, which is the approximate risk free borrowing rate as of July 1, 2022, the School recorded an operating lease right-of-use asset of \$68,248 and corresponding operating lease liability for the same amount.

Future minimum payments under non-cancellable operating leases are as follows for the years ending June 30:

2025	\$	14,910
2026		14,910
2027		13,667
		43,487
Less: imputed interest		(1,794)
		41,693
Less: current portion of lease obligation		(13,886)
Long-term portion of lease obligation	\$	27,807

The School had been on a month-to-month lease for its facility since August 31, 2022, the date the long-term lease expired. The School purchased the building in January 2023. Total lease expense was \$66,334 for the year ended June 30, 2023.

Note 7 – Commitments

As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under the charter, the School pays ICSB an annual authorizer oversight fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$13,446 and \$12,846 during the years ended June 30, 2024 and 2023, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. The escrow was established as of June 30, 2024 and is included in the balance of cash on the statements of financial position.

The School contracted with Entrepreneurial Ventures in Education (EVE) to provide management, administrative, and educational programming services. Under the terms of the agreement, the School pays an amount equal to 12% of revenue, as defined, for such services, plus any necessary travel costs. Expenses under the agreement were \$308,352 and \$373,133 for the years ended June 30, 2024 and 2023, respectively. This contract remains in effect until June 30, 2026 and is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract, unless written notice of intent to terminate or renegotiate is given by either party at least 120 days prior to expiration of the agreement.

Higher Institute of Arts and Technology, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 8 – Risks and Uncertainties

The School provides educational instruction services to families residing in Lake and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments potentially subjecting the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, bank deposits are maintained primarily at Fifth Third Bank and are insured up to the FDIC insurance limit of \$250,000. At June 30, 2024, approximately \$115,000 of cash was uninsured.

Note 9 – Retirement Plan

The School has a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions. The School does provide an employer match contribution.

Note 10 – Liquidity

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$479,434 and \$685,531 as of June 30, 2024 and 2023, respectively. Financial assets are entirely available to meet cash needs for general expenditures within one year, with the exception of the \$30,000 cash escrow account (Note 7).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 11 – Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net deficit. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

Supplementary Information

Higher Institute of Arts and Technology, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 61,365
National School Lunch Program	10.555		132,590
Total U.S. Department of Agriculture			<u>193,955</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education:			
Title I, Part A;			
Grants to Local Educational Agencies	84.010	S010A220014	48,730
Grants to Local Educational Agencies	84.010	S010A230014	199,235
Title II, Part A;			
Supporting Effective Instruction State Grants	84.367	S367A220013	9,186
Supporting Effective Instruction State Grants	84.367	S367A230013	6,430
Title IV, Part A;			
Student Support and Academic Enrichment	84.424	S424230015	14,522
Special Education Cluster			
Special Education - Grants to States	84.027A	22611-601-PN01	5,558
Charter Schools Program			
Charter Schools Program	84.282A	U282A210017	134,287
Charter Schools Program	84.282A	73616	166,401
Charter Schools Program	84.282D		78,811
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	345,167
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	2,155
Total U.S. Department of Education			<u>1,010,482</u>
Total federal awards expended			<u>\$ 1,204,437</u>

See independent auditor's report and notes to this schedule

Higher Institute of Arts and Technology, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Higher Institute of Arts and Technology, Inc. (the School) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net deficit, functional expenses, or cash flows of the School.

Note 2 – Summary of significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Higher Institute of Arts and Technology, Inc.
Merrillville, Indiana

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Higher Institute of Arts and Technology, Inc. (the School), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and change in net deficit, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent loop at the end of the word.

Donovan CPAs
Indianapolis, Indiana
November 6, 2024



Donovan CPAs

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

The Board of Directors
Higher Institute of Arts and Technology, Inc.
Merrillville, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Higher Institute of Arts and Technology, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2024-001. Our opinion on the major federal programs is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 22. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Donovan CPAs
Indianapolis, Indiana
November 6, 2024

Higher Institute of Arts and Technology, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D & 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters were reportable.

Higher Institute of Arts and Technology, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

III. Federal Award Findings and Questioned Costs

FINDING 2024-001 EQUIPMENT AND REAL PROPERTY MANAGEMENT
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund
Assistance Listing Number: 84.425

Criteria

2 CFR 200.313(d) contains equipment management requirements which dictate property records entities must maintain and the need for procedures to adequately safeguard and maintain assets acquired with federal funding.

Condition

A physical inventory of the property must be conducted, and the results must be reconciled with the property records at least once every two years. A physical inventory was completed, however, there is no record this inventory was reconciled with the property records.

Cause

The School does not have internal controls and procedures in place to ensure the physical inventory is reconciled to the property records.

Effect

Failing to complete the reconciliation could result in inaccurate records of assets.

Recommendation

We recommend the School develop internal controls to ensure an inventory reconciliation with property records is completed at least every two years.

Views of Responsible Officials

The School's Corrective Action Plan is included on pages 22.



Higher Institute of Arts and Technology
5861 Harrison St
Merrillville, IN 46410

CORRECTIVE ACTION PLAN

Nov 6, 2024

Higher Institute for Arts and Technology (the School) provides its Corrective Action Plan for the fiscal year ended June 30, 2024.

FINDING 2024-001 – RECONCILIATION OF PHYSICAL INVENOTRY – Significant Deficiency

Planned corrective action: The School through the educational service provider agreement with Entrepreneurial Ventures in Education (EVE) will implement procedures and provide additional training to school staff that are responsible for taking physical inventory to ensure results are reconciled with fixed asset property records maintained by EVE.

Responsible officers: Jeffrey Larkins, Director of Finance and Accounting; Javier Dimas, Vice-President of Operations

Estimated completion date: May 15, 2025

Higher Institute of Arts and Technology, Inc.
Other Report
For the Year Ended June 30, 2024

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Higher Institute of Arts and Technology, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Higher Institute of Arts and Technology, Inc.
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

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